

**Before the  
Public Service Commission of South Carolina  
Docket No. 2012-4-G**

**Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies  
of  
Piedmont Natural Gas Company, Inc.**

**Testimony and Exhibits  
of  
Robert L. Thornton**

**On Behalf Of  
Piedmont Natural Gas Company, Inc.**



**June 11, 2012**

1 **Q. Please state your name and business address.**

2 A. My name is Robert L. Thornton. My business address is 4720 Piedmont Row  
3 Drive, Charlotte, North Carolina.

4 **Q. What is your position and what are your responsibilities with Piedmont**  
5 **Natural Gas Company ("Piedmont")?**

6 A. I am employed as Director of Gas and Regulatory Accounting.

7 **Q. Please briefly describe your education and experience.**

8 A. I received a B.S. degree from The College of Charleston in 1984. In 1985, I  
9 was employed by Duke Power Company as a staff accountant. In 1990 I was  
10 employed by Ingersoll-Dresser Pump Company as Controller. In 1994, I was  
11 employed by Public Service Company of North Carolina, Inc. ("PSNC"), as a  
12 Senior Financial Accountant and was promoted to Director – Investor Relations  
13 and Financial Projects in 1998. After PSNC was acquired by SCANA  
14 Corporation, I was employed by Cox Technologies in 2000 as Controller and  
15 Assistant Treasurer. In 2004, I was employed by HSBC Mortgage Corp. as  
16 Manager of Regulatory and Investor Reporting. I was employed by Piedmont  
17 Natural Gas Company, Inc. ("Piedmont") in 2007 as Manager of Gas  
18 Accounting. I was promoted to Director of Gas and Regulatory Accounting in  
19 February 2008.

20 **Q. Please describe your responsibilities as Director of Gas and Regulatory**  
21 **Accounting.**

22 A. My responsibilities include: recording the cost of gas on Piedmont's books,  
23 maintaining a proper match of revenues and cost of gas in Piedmont's income

1 statements, recording Piedmont's margin in accordance with regulatory  
2 requirements in each of the three state jurisdictions in which Piedmont  
3 operates, verifying volumes and prices on all invoices relating to the purchase  
4 and transportation of natural gas, and recording gas inventory accounts and  
5 deferred accounts. I am also responsible for the middle office functions related  
6 to the experimental hedging program implemented in South Carolina pursuant  
7 to Commission Order No. 2002-223 dated March 26, 2002.

8 **Q. Have you previously testified before this Commission or any other**  
9 **regulatory authority?**

10 A. Yes. I have previously testified before the Public Service Commission of South  
11 Carolina and the North Carolina Utilities Commission on several occasions.

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony in this proceeding is to report to the Commission  
14 Piedmont's end-of-period balances in and accounting for its deferred gas costs  
15 accounts in order to permit the Commission to determine that Piedmont's true-  
16 up procedures for the review period have resulted in a properly stated cost of  
17 gas and that Piedmont's gas costs are properly recorded in compliance with  
18 Piedmont's Gas Cost Recovery Mechanism and Hedging Plan.

19 **Q. Were there any adjusting accounting entries made to the Deferred**  
20 **Account No. 253.04?**

21 A. Yes, there was a credit adjustment made in March 2012 of \$2,816,898.44

1 which is comprised of supplier refunds of \$2,304,184.36 and \$502,714.08 of  
2 associated interest.

3 **Q. Why is this adjustment necessary?**

4 A. The Company discovered supplier refunds, dating back to the 2008 review  
5 period, that had been posted to the Miscellaneous Deferred Credits Account  
6 25330, and therefore, not reflected as refunds due to South Carolina customers  
7 in Account 25304. This adjustment corrects the recording of those supplier  
8 refunds from the Miscellaneous Deferred Credits Account 25330 to Deferred  
9 Account 25304 along with the interest accrued on those amounts. This results  
10 in a direct benefit to South Carolina customers of \$2,806,898.44.

11 **Q. Has the Office of Regulatory Staff reviewed Piedmont's accounting for its**  
12 **cost of gas for the review period in this proceeding?**

13 A. Yes. The Commission has previously ordered the Company to maintain an  
14 account reflecting its gas costs each month, the amount of gas costs recovered  
15 each month, and amounts deferred each month. The audit staff of the ORS has  
16 conducted a detailed audit and review of the review period activity in that  
17 account, as well as the detailed data supporting the accounting entries to that  
18 account. A summary of the review period activity in that account is attached  
19 hereto as Exhibit \_\_ (RLT-1).

20 **Q. Does the Company also maintain a hedging deferred account?**

21 A. Yes. Effective April 1, 2002, Piedmont implemented an experimental natural

1 gas hedging program pursuant to Commission Order No. 2002-223. Pursuant  
2 to this program, Piedmont maintains a Hedging Deferred Account in which it  
3 records the results of its hedging activities undertaken in accordance with its  
4 hedging plan. The audit staff of the Office of Regulatory Staff has also  
5 conducted a detailed review of the activity in this account and the detailed  
6 accounting data supporting that activity. A summary of the review period  
7 activity in Piedmont's Hedging Deferred Account is attached hereto as  
8 Exhibit\_\_(RLT-2).

9 **Q. Does this conclude your testimony?**

10 A. Yes.

**EXHIBIT\_\_(RLT-1)**

Piedmont Natural Gas Co., Inc. - South Carolina  
Gas Cost Deferred Account Activity  
Annual Prudence Review - Docket No. 2012-4-G  
12 Months Ended March 31, 2012  
Debits (Credits)

Exhibit\_(RLT-1)

Reporting Month ==>	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	
Gas Flow Month ==>	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Totals
Beginning Balance	(7,820,390.58)	(6,773,874.19)	(5,563,604.85)	(4,252,871.26)	(2,805,646.04)	(1,694,527.49)	(396,198.99)	229,040.19	(110,002.43)	(808,324.41)	(213,924.14)	1,437,587.49	
Billed vs. Filed Commodity True - Up	349,932.82	113,543.06	159,568.04	262,577.79	(160,312.67)	166,920.44	(85,393.12)	217,661.29	(342,799.98)	1,117,839.98	1,733,413.30	395,035.08	3,927,986.03
Demand True-Up	797,568.65	1,180,734.09	1,196,608.83	1,253,034.71	1,183,183.55	1,183,375.44	726,099.77	(154,312.91)	(1,000,087.65)	(1,708,276.70)	(1,068,684.75)	478,352.94	4,067,595.97
Negotiated Losses	46,738.58	53,138.01	56,506.20	52,776.38	50,293.55	37,324.32	43,930.64	44,516.90	76,698.84	66,593.51	55,507.88	51,933.39	635,958.20
Capacity Release Credits	(165,172.49)	(165,936.53)	(167,847.29)	(163,948.57)	(170,290.14)	(168,305.09)	(170,842.39)	(330,121.24)	(326,764.96)	(326,720.03)	(316,444.33)	(339,268.07)	(2,811,661.13)
SC Portion of Off System Sales Revenue	(496,175.32)	(1,722,160.40)	(2,558,240.84)	(3,559,942.36)	(1,674,865.24)	(1,862,957.76)	(923,148.43)	(1,187,656.50)	(1,412,887.72)	(1,678,259.24)	(2,099,921.89)	(1,002,098.27)	(20,178,313.97)
SC Portion of Off System Sales Costs	487,027.32	1,689,841.69	2,483,729.81	3,464,319.39	1,623,996.99	1,817,653.05	912,042.76	1,153,308.24	1,370,164.09	1,518,059.56	1,970,458.92	969,741.52	19,460,343.34
WNA	(121.50)	64.70	(74.39)	39.09	(76.03)	(63.22)	(1.93)	(210,946.44)	844,310.94	1,419,052.57	1,341,468.05	1,269,615.57	4,663,267.41
Supplier Refunds	(4,569.86)	-	(185.01)	-	(19,348.70)	(4,278.08)	-	-	(588.42)	-	(37,344.46)	(2,806,898.44)	(2,873,212.97)
SC - Uncollectibles	56,175.29	74,212.34	93,102.54	99,250.18	43,538.63	8,995.36	2,674.75	(7,302.63)	(1,840.73)	3,741.08	2,876.78	8,527.01	383,950.60
Monthly Hedging Transfer	(906.84)	5,813.13	63,124.66	49,250.66	240,366.16	121,909.16	120,073.66	135,676.16	96,440.66	183,411.60	68,838.60	17,310.10	1,101,307.71
Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance Before Interest	(6,749,893.93)	(5,544,624.10)	(4,237,312.30)	(2,795,513.99)	(1,689,159.94)	(393,953.87)	229,236.72	(110,136.94)	(807,357.36)	(212,882.08)	1,436,243.96	479,838.32	
Interest	(23,980.26)	(18,980.75)	(15,558.96)	(10,132.05)	(5,367.55)	(2,245.12)	(196.53)	134.51	(967.05)	(1,042.06)	1,343.53	2,292.92	(74,699.37)
Ending Balance	(6,773,874.19)	(5,563,604.85)	(4,252,871.26)	(2,805,646.04)	(1,694,527.49)	(396,198.99)	229,040.19	(110,002.43)	(808,324.41)	(213,924.14)	1,437,587.49	482,131.24	
Monthly Interest Rate	3.950%	3.698%	3.810%	3.450%	2.866%	2.580%	2.825%	2.715%	2.530%	2.449%	2.638%	2.870%	

Commodity True-up (August 2011) - To reclass Property Taxes from COG deferred accounts to Property Tax Expense

**EXHIBIT\_\_(RLT-2)**



**Piedmont Natural Gas Company, Inc. - South Carolina**  
**Hedging Account Activity**  
**Annual Prudence Review - Docket No. 2012-4-G**  
**12 Months Ended March 31, 2012**  
**Debits (Credits)**

Exhibit\_\_(RLT-2)

	# of Contracts Executed / Exercised	Beginning Balance	Net Options Premium	Fees 1	Margin Requirement (P&L Cash Act)	Consultant Fees	Proceeds from positions	Fees 2	Interest from brokerage acct.	Other Monthly Fee	Monthly Gain / Loss Transfer
Apr-11	31	\$ -	26,600.00	217.00	-	790.50	(28,790.00)	263.50	-	12.16	(906.84)
May-11	20	\$ -	20,020.00	170.50	-	1,581.00	(16,110.00)	139.50	(0.03)	12.16	5,813.13
Jun-11	33	\$ -	61,020.00	511.50	-	1,581.00	-	-	-	12.16	63,124.66
Jul-11	27	\$ -	48,820.00	418.50	-	-	-	-	-	12.16	49,250.66
Aug-11	137	\$ -	237,440.00	2,123.50	-	790.50	-	-	-	12.16	240,366.16
Sep-11	72	\$ -	119,200.00	1,116.00	-	1,581.00	-	-	-	12.16	121,909.16
Oct-11	73	\$ -	118,930.00	1,131.50	-	-	-	-	-	12.16	120,073.66
Nov-11	86	\$ -	132,750.00	1,333.00	-	1,581.00	-	-	-	12.16	135,676.16
Dec-11	47	\$ -	95,700.00	728.50	-	-	-	-	-	12.16	96,440.66
Jan-12	115	\$ -	180,825.00	1,782.50	-	790.50	-	-	-	13.60	183,411.60
Feb-12	49	\$ -	67,275.00	759.50	-	790.50	-	-	-	13.60	68,838.60
Mar-12	12	\$ -	16,320.00	186.00	-	790.50	-	-	-	13.60	17,310.10
Activity Totals			1,124,900.00	10,478.00	-	10,276.50	(44,900.00)	403.00	(0.03)	150.24	1,101,307.71

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached documents are being served this date via email and UPS Overnight (via email and U.P.S. Overnight) upon:

Nanette S. Edwards  
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And that a copy of the attached documents are being served this date via email and U.S. Mail upon:

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This the 11th day of June, 2012.

s/ James H. Jeffries IV  
James H. Jeffries IV